

For more information, contact:
Danny Oberg - 406-444-6166
Martin Jacobson - 406-444-6178

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MDU TO EXPLAIN PROPOSAL FOR MONTHLY GAS RATE ADJUSTMENTS TO PSC

Representatives of Montana-Dakota Utilities Co. will explain to the state Public Service Commission the company's proposal to convert from the current practice of twice-yearly adjustments to MDU's natural gas rates to monthly adjustments at an informal meeting on Friday, June 6. The meeting will be held at 10 a.m. at the offices of the PSC, 1701 Prospect Avenue in Helena.

MDU has asked the PSC allow it to convert from semi-annual to monthly applications for rate adjustments which recover natural gas costs the company incurs when providing services to Montana customers. Three other states in which MDU provides natural gas service -- Wyoming, South Dakota and North Dakota -- allow these monthly rate adjustments.

Monthly adjustments would allow rates to reflect actual natural gas costs on a more timely basis. However, monthly adjustments may also result in less stability in rates. Despite the approval in neighboring states, the Montana commissioners have delayed approving the request because of concerns whether it is good public policy. The PSC has submitted a number of questions to MDU that will need satisfactory answers before it will allow the more frequent changes.

PSC Chairman Dave Fisher (D-Butte) said the PSC must balance the needs of the utility with that of the ratepayers.

"While the benefits to MDU of quicker recovery of costs incurred in providing service are apparent," Fisher said, "we remain skeptical that those benefits outweigh the confusion and administrative costs associated with the plan."

He said the deciding factor may be whether the delayed recovery in the current program actually harms residential customers. MDU operates an open system where large customers can purchase gas on the market and only transport it through MDU's distribution system and may choose to do so at a time when, through delayed recovery, residential customers will be left paying for some of the costs of gas consumed by the larger users.

"If that is the case, then there may be benefits to ratepayers that might cause the commission to approve the proposal," Fisher said.

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